

The American Observer

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Increase of Buying Power Held Pressing

Economists Debate Best Methods of Raising Consuming Power of General Public

HOOVER WARNS OF DANGER

Former President Agrees with Brookings Survey on Necessity of Price Reductions

When men whose economic views stand in such direct opposition as do those of Herbert Hoover and Rexford Guy Tugwell agree on a fundamental course of action, it is news of the first importance. And yet, within the last few days both the former President and the retired brain truster, the one a representative conservative and the other a liberal, or radical, have come out strongly for an increase in mass purchasing power as an essential step toward the solution of our economic difficulties. Mr. Hoover, speaking before a large group of fellow engineers at New York City, declared that we are headed for a collapse like that of 1929 unless immediate steps are taken to create greater balance in our economic system. Mr. Tugwell set forth his views in a recent issue of *The New Republic*.

Brookings Study

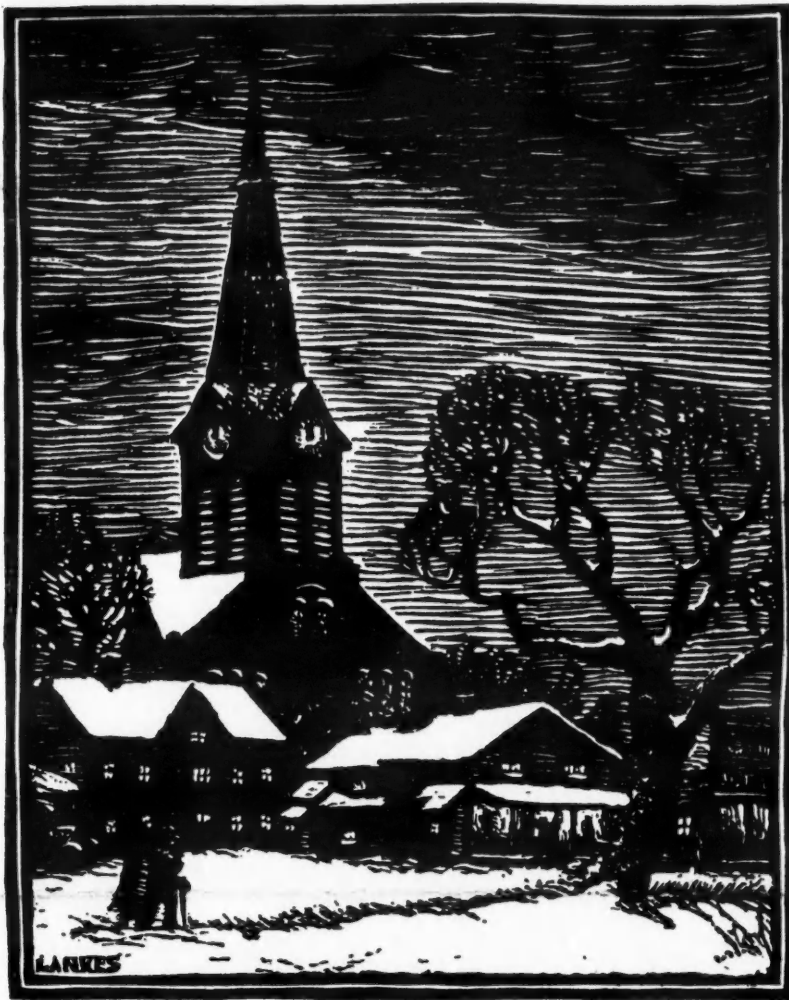
These recommendations are the more important when considered in the light of the similar proposal made by the Brookings Institution some time ago, in a comprehensive study of our whole economic machinery. It was the purpose of the Brookings economists, in their highly important study, to determine what was wrong with our economic system and what alterations were necessary in order to make it work more smoothly and more equitably. They undertook to find out how much American industry was capable of producing; whether it was turning out all the goods and services which it was equipped to produce. It then sought to ascertain how much the American people could consume; whether there was a maladjustment between our capacity to produce and our capacity to consume. After having come to fairly definite conclusions on these subjects, it sought to recommend means by which greater economic progress might be made.

But before we come to concrete proposals, such as those of the Brookings study or Mr. Hoover's, we must glance hastily at the major findings of the economists who attempted to diagnose our ills. This report, it should be mentioned, has served as the basis for fairly widespread discussion since its publication. It has had as great an effect upon economic thought as anything that has appeared in many years. What, then, were the major findings of the Brookings Institution?

Before they could do much, the Brookings economists had to determine whether we, as a nation, were taking full advantage of our productive capacity. They had to find out whether the factories and farms and mines were producing as many goods as they had the equipment to produce. They undertook to measure our productive capacity for the year 1929—a year in which production of all kinds of goods and services reached a new high level.

From all the material they could gather, the economists discovered that as a matter

(Concluded on page 8)



AT CHRISTMAS

(From a woodcut by J. J. Lankes, Courtesy Weyhe Galleries, New York.)

The Christmas Spirit

If the Christmas spirit means anything, it means sharing. It means a sharing of cheer and of the good things of life, without which there can be no cheerfulness or joy. We are glad to share with our friends. We give them gifts whether they are in need or not. We do this to gratify our own generous impulses and to spread happiness and good will. But it is not enough to exchange presents with our close associates. Except for the generosity of those who are favored, there are families in every community who will find little cheer at this glad Christmas time.

It is more necessary than is usually the case to call this fact to the attention of all who are able to give. The reason is that, because of the recovery which has come in industry and trade, many are lulled into forgetfulness of the misery which remains. It is a fact that times are better than they have been at any Christmas time for six years, but it is also a fact that millions are still involuntarily unemployed. Because so many comfortable people shut their eyes to that fact, the need for charity is great today. In many places a thoughtless people have failed to contribute sufficiently to the Community Chest or other agencies of charity. So those who feel the true spirit of the season and who wish to spread the cheer which should abound everywhere, should give their personal attention to the problem. They should help families in need.

But one does not discharge his full obligation by acts of personal charity. Each individual is also a citizen, and has a responsibility as such. He should use his influence in the direction of governmental acts which shall take the needs of the unfortunate into account. Each citizen should use his influence to prevent the withdrawal of relief before there are sufficient opportunities for reemployment. Our nation is, indeed, enjoying the blessings of returning prosperity. That means, naturally, that there will be a decreasing need for relief. It also means, however, that our nation and our communities will be able to take care of those who are not permitted to share in these returning blessings through the usual channels of employment, and that they must not withdraw aid unjustly from anyone. Through governmental policy, then, and through personal sympathy and charity as well, let us make this Christmas time a period of dedication to the ideals and sentiments which we associate with the Christmas festival. Let us make this Christmas season a time of pleasantness, good will, and cheer in our homes, in our neighborhoods, and, so far as our influence extends, in the nation and the world.

Constitutional Crisis Rocks British Empire

England and Dominions in Turmoil as King Clashes with Cabinet over Proposed Marriage

MAY RESULT IN ABDICATION

Unprecedented Conflict Raises Question of Monarch's Relation to House of Commons

For a good many weeks, the friendship between King Edward VIII of England and Mrs. Wallis Simpson, an American-born woman, formerly of Baltimore, was a matter of common gossip in the United States. It was not mentioned in England, and most of the king's subjects knew nothing about the romance until the whole matter had gone far beyond the gossip stage and had become a constitutional issue of the first magnitude. The stage of constitutional crisis was reached when the highest officials of the Church of England took a firm stand against the marriage of the king to Mrs. Simpson on the ground that she had been twice divorced.

The gravity of the crisis was intensified when Stanley Baldwin, prime minister and head of the actual government of England, added his voice to that of the church and placed himself in official opposition to the marriage. Mr. Baldwin and the church officials represent a large section of British opinion which holds that it would be a very bad thing for England to have a divorcee as a queen. The king apparently felt that his marriage was his own business. But Baldwin and his cabinet contend that the king's marriage is a matter of public concern, for the woman whom he marries becomes the queen.

British Constitution

An American, unfamiliar with British governmental practices, is likely to ask what the cabinet could do about it if the king were determined to marry. He might ask further why the matter is considered so important to the whole empire. These questions introduce us to problems relating to the British constitution.

The nature of the constitution is not easily understood by an American because it differs so radically from our own. It is not a written document, but is a matter of precedents and statutes which have accumulated through the centuries. Briefly, we may say, however, that while, according to law, the king of England is a very powerful ruler, his powers have in effect been whittled down almost to the vanishing point, and that this change has been effected largely by the understanding that the king can act only through his ministers; that is, through the cabinet. The ministers may act in the name of the king, but they are the ones who decide what the governmental action shall be. Parliament is all-powerful. It can enact whatever legislation it chooses. But the legislation is enforced by the cabinet. The cabinet also directs the course of legislation. The members of the cabinet sit in parliament, introduce all the important measures, and see that they are put through. The cabinet must resign if it fails to maintain a majority support in the House of Commons. Hence, it is subject to the Commons. But so long as it is in power, it speaks for the government and is the real directing governmental authority.

This brings us to the question of what



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WILL HE LOSE HIS THRONE?

The crisis over King Edward's proposed marriage has reached such proportions that abdication may be the only solution.

the cabinet could do if the king should determine to give England a queen whom the cabinet thought to be unsuited. In the first place, the prime minister, speaking for the cabinet, could advise the king not to contract the marriage. This advice would amount to a command. Such advice Prime Minister Baldwin has no doubt given, though his conferences with the king have been kept secret.

But suppose the king refused to heed the command. The cabinet could then resign in protest. The king at that point could ask some other member of parliament to form a cabinet in place of the one which had resigned. If he failed to get anyone to assume that responsibility, it would mean that his parliament was against him. Then he would be practically compelled either to abdicate or to submit, for the whole nation looks to the parliament as the governing body of England, and the English people can scarcely be expected to recognize a king who ignored the mandate of parliament. An attempt on the part of the king to defy parliament's wishes would be unconstitutional. It would, in effect, be revolutionary. It would constitute the assumption by him of power which, under the constitution, he does not possess. If the people sustained him in the act, their action would be revolutionary. This would mean that a revolution had occurred in England and that the people had granted to the king powers which for centuries he has not possessed.

People Have Final Say

If, however, the king should find a man, such as Winston Churchill, who favored his position, this leader might attempt to form a cabinet. If the House of Commons gave the new cabinet a majority vote, it would mean that the king had been sustained and that he might go ahead with his marriage. If the new cabinet were voted down, however, the new prime minister might advise that parliament be dissolved and that an election be called. If, in the election, the people sustained the new cabinet, the one friendly to the king, it would mean that he had been sustained on the issue. If, however, it elected a majority of members hostile to the new cabinet and favorable to the Baldwin cabinet, it would mean that the people of England had declared in favor of Baldwin and against the king. It would mean that the king must submit and cancel his marriage plans, or abdicate the throne.

One section of British opinion holds that Baldwin is taking an unconstitutional step in trying to impose his will upon the king. It is argued that the marriage of the king is his own business and that the political

government, that is, the cabinet, acting for the House of Commons, has nothing to do with it. As we saw a while ago, Baldwin holds to a different view, contending that the political government, that is, parliament, and its cabinet, has something to say about who shall become queen. This is a question which the people of England could decide if the cabinet should resign and an election of parliament should be called. Then the people would have an opportunity to select a cabinet which would sustain Baldwin or refuse to do so.

As THE AMERICAN OBSERVER goes to press, it seems quite likely that the crisis will not run the course which has been outlined. It seems more probable that if the king thinks sentiment is against him, he will voluntarily abdicate, without waiting for the Baldwin cabinet to resign or for the House of Commons to act. If, as seems possible, there should be a rising of the British people in favor of the king; if it should appear that public opinion sustains him, it would be possible for Baldwin to put an end to the crisis by withdrawing opposition to the king's marriage.

Imperial Considerations

Now we come to the question of why this crisis, which involves the possible abdication of the king, should be so vital to the British Empire. The reason is that the various parts of the empire are held together by loyalty to the crown. The self-governing dominions are not ruled by the English parliament. Parliament has no control over them. The only tie which binds Canada, South Africa, and Australia, and the other dominions, to England and Scotland and Wales is that they all have the same king. If anything should happen which would weaken loyalty to the king, it would, to the same extent, bring about a weakening of the bond which holds the empire together. Not only that; but the people of England itself look upon the king as their leader. If their loyalty to the

to abdicate and the relatively weak and colorless Duke of York should become king, millions who have adored the popular King Edward would unquestionably feel aggrieved. There is a slight possibility that their disappointment might take the form of revolution. There is greater likelihood that they would be sullen and deeply disaffected. We know already that many of the British people are in an ugly mood. Active demonstrations against Baldwin and his cabinet and against the archbishop of Canterbury, head of the Church of England, have taken place. Placards bearing such inscriptions as "God Save the King from Baldwin!" "Abdication Means Revolution!" "The King Is Right, Baldwin Is Wrong!" have been carried through the streets by noisy crowds.

Political Aspects

This situation which has been precipitated by the crisis over the king's proposed marriage is complicated by the fact that the king has for some time been a center of political controversy. He has assumed a leadership among masses of the people, especially among the poor. When the giant ship, the *Queen Mary*, was launched, he expressed his approval of such a great engineering achievement, and then in contrast to that great British achievement, he pointed to the miserable conditions existing in the slums, and referred to these conditions as an example of British failure. Not long ago, he went into the distressed areas of the Welsh mining country, where thousands of workers had been unemployed for years, and where human misery almost beyond belief prevailed. He told these people that something should be done to help them, and he promised that whatever it was possible to do would be done to put an end to these conditions.

Such action on the part of the king has endeared him to the masses. They look upon him as their leader, their king, their spokesman. One can easily imagine, how-



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WILL HE WALK THE PLANK?

It is considered likely that popular opposition may force Prime Minister Baldwin to resign, regardless of how the issue is settled.

stitutionally, he has no power over legislation and has not had since the days of George III. "The king can do no wrong" is interpreted to mean that he can do nothing at all to which any section of the population might object. Political decisions of every kind are left to the political government; that is, to the parliament and the cabinet which speaks for a parliamentary majority. If it is unconstitutional for the king to legislate, is it unconstitutional for him to advocate legislation of any kind on a controversial question? Should he give advice on a political matter? While the king's action has, as we have pointed out, endeared him to most of the poor people of England, some of them, including a good many liberals or radicals, have felt that it was wrong for the king to enter into any political controversy. Admitting that the present king's efforts in behalf of the poor are well intentioned and beneficial, there is no assurance, they say, that a future king's efforts would be in the same direction. Is it safe, therefore, for even a popular king to establish a precedent that the king may enter in any way into politics, and that he may use his office to influence the course of governmental action? The principle that government shall be in the hands of the elected representatives of the people, and that the king shall have nothing to do with the control of government, has been won through centuries of effort.

This issue is inextricably interwoven with the issue of the king's marriage. The two problems together have given to the British Empire a governmental crisis which is graver than they have known in recent times. Many students of history are already assigning to the current crisis a place in English constitutional history of equal importance to that which marked the fall of the Stuart kings and the rise of Cromwell's commonwealth.



—Courtesy London Times

AN EMPIRE AND A SETTING SUN

This photograph of a sunset over the Thames, in London, symbolizes the thought of many that the Empire has been gravely weakened by the constitutional crisis.

crown should be weakened, it would greatly impair national unity.

It seems certain, at this stage of the present controversy, that whatever the outcome may be, the monarchy will be in a weakened condition. Loyalty to the crown will at least be somewhat impaired. If the cabinet should withdraw its opposition and the king should marry Mrs. Simpson and make her queen, a large section of opinion, in England and in the dominions as well, would feel outraged. There might develop a distinct hostility to the king who had placed upon the people what many of them conceive to be an indignity. If, on the other hand, the king should be forced

ever, what Prime Minister Baldwin and his Conservative cabinet think of the king's conduct. He is making their situation more embarrassing. They feel that he is stirring the people up against conservative government, and it has been broadly hinted that Baldwin would not have taken such action against the king in the matter of his marriage had it not been for this political controversy. This may or may not be true, but that there is strong opposition between the king and his ministers there is little doubt.

This political activity in which the king engaged has raised another constitutional question. A king of England is supposed to have nothing to do with politics. Con-

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AROUND THE WORLD

Argentina: Opinion is undivided that President Roosevelt's appearance at the opening session of the Inter-American Conference for the Maintenance of Peace added tremendous prestige to its deliberations and went far in assuring its success. That opinion was strengthened by Mr. Roosevelt's speech, in which he said: "This is no conference to form alliances, to divide the spoils of war, to partition countries, to deal with human beings as though they were pawns in a game of chance."

Following the elaborate reception of the President and several days of gala compliments thrown about somewhat indiscriminately among the delegates, the conference settled down to the more routine task of translating its aspirations into concrete terms. Secretary of State Cordell Hull was the first to put forward his proposals. Claiming that the world had only regarded it as necessary to prepare for war and that it considered peace a negative thing, Mr. Hull presented an eight-point program to actively ensure peace. His program included ratification of five previous treaties that had been drawn up at various times but have not yet been signed by all the American republics, a common neutrality policy, education for peace through a more extensive cultural relationship between all the Americas, and the establishment of commercial relations so that each nation should enjoy such a measure of prosperity that the thought of war would be banished.

France: Since last March, when German troops occupied the Rhineland in violation of the Locarno pact, Paris and London have made persistent attempts to induce Hitler to sign a new treaty guaranteeing the peace of Europe. Though Hitler's replies to this proposal were obviously evasive, the governments of both France and Britain were patient, hoping that in time the German chancellor would agree. The last two months have, however, dispelled



EUROPE IS LINING UP
—Fitzpatrick in St. Louis Post-Dispatch

any such hope. The increasingly incautious references to Russia by Nazi officials, the German-Italian pact to save the world for fascism, the Berlin-Tokyo alliance, have added to the doubt in the minds of British and French statesmen that Hitler intends to sign any new agreement.

Consequently, Britain and France have decided upon a virtual military alliance to come to one another's aid in the event either of them should be the object of aggression. In some quarters, this understanding is regarded as the most important gesture in years, since it makes the British stand on the European continent undeniably clear. These quarters recall that it was doubt in the Kaiser's mind in 1914, whether England would join the European conflict, that resulted in the German invasion of Belgium. They say that with Britain's position now determined, Ger-



ITALY PARADES HER MILITARY MIGHT

Mussolini's legions, marching in perfect precision, pass the Royal Tribune during an impressive military review staged in honor of the state visit of Admiral Horthy, regent of Hungary.

many may well hesitate before beginning military operations in western Europe.

Spain: No decisive maneuver has yet taken place in the current phase of the Spanish civil war to clarify the military situation or to give the slightest clue as to which side will prove ultimately victorious. Although Madrid has been subjected to further bombing, with an attendant loss of life and destruction of property, it is not prepared to surrender. Indeed, some 50,000 troops are stationed at the city's gates to resist the smaller number of rebels. Furthermore, several loyalist armies have extended the field of their operations and are reported to have begun an offensive in the direction of the rebel capital, Burgos; and one of these armies is expected to reach General Franco's seat of government within a few days.

Late reports indicate that the rebel leader will shortly attempt a final storming of Madrid, staking the chances of his success upon its capture. He is said to have taken this decision following the arrival of 5,000 soldiers from Germany. But the added strength that he will be able to throw against the Madrid defense will be balanced by an almost equal number of French troops who are said to have come to the government's aid as volunteers.

There have been suggestions that the Nonintervention Committee meeting in London to weigh the international phase of this struggle will attempt to bring the two factions together for a plebiscite of the people's wishes. Few observers, however, take these suggestions seriously. They point out that passions have been so inflamed as to make mediation impossible and that even if it were finally accomplished, there would be no assurance that the plebiscite would be adhered to, since the rebels have themselves failed to accept the verdict of the people which placed the government in power last February.

Germany: The role played by Germany in the larger field of international politics has been so conspicuous during the past month as practically to obscure a series of momentous decrees enacted within her borders. For the purpose of revealing the temper of the present regime, no one of these decrees surpasses, in interest, that which forbids criticism of all art works. Although the government has hitherto succeeded in dominating the news columns and editorial opinions of the German press,

it failed to silence critics of the drama, the films, and literature who occasionally displayed skepticism of the Nazi axiom that only those works glorifying the state were worthy art. Indignant with this attitude, the Nazi minister of propaganda has informed critics that they must in the future confine themselves merely to observation and description of art works. This does not mean, however, the minister emphasized, "the limitation of free expression of opinion." Any critic who is dissatisfied with current artistic standards is free to go and do a better job himself.

To the German people, now accustomed to the Nazi cultural legislation of the past four years, this decree was not, however, of so much immediate concern. They were far more affected by the new regulations, introduced by General Goering as part of his four-year plan for economic independence, which place severe restrictions upon their trade. Capital or property cannot be transported abroad. To do so is treason against the state, involving the death penalty. Price increases in all goods or services are prohibited, and there is no top limit to the penalty that may be imposed for infraction of this rule.

Finally, all boys and girls above 10 years of age are forced to enroll in the Hitler youth organizations where they will be trained according to the dictates of Baldur von Shirach, leader of the Hitler Youth, who has been carrying on an aggressive struggle against youth groups associated with the Catholic church.

Finland: Attention is focused upon Finland each year at this time because, alone among European nations, she scrupulously pays her war debt to the United States. She is able to do so, without inflicting hardships upon herself, because of the uniquely sane and balanced economic structure evolved in the 17 years of her independence.

Sixty per cent of the 3,500,000 Finns are dependent upon agriculture for their livelihood. As elsewhere, the government had been faced with the problem of farm tenancy, which condemned a large part of the population to an insecure future and retarded the expansion of industry. It

solved this problem by dividing the land into small holdings, so that today half of all the Finns live on small farms of their own. In order to make this system productive, the farmers have been organized into co-operative associations for the marketing of their crops and for the purchase of farm implements. Moreover, many of these farms are situated not far from industrial centers, so that when the crops need no tending, the farmers find work in factories.

The other pillar of Finland's economic structure is her vast forest lands, the most valuable in Europe. Nature has been particularly kind to the Finns in providing a network of rivers and lakes through which to ship the timber from every corner of their land. It is brought to the cities and there turned into building materials, bobbins, matches, veneers, and paper. In the absence of coal or oil, water power has been plentifully provided to run the mills and factories. And in order not to kill this kindly goose, the government has mapped a state-controlled plan of reforestation.

It would be a gross exaggeration, however, to assume that Finland is the utopia that economists have dreamed about for ages. The standard of living there is still lower than that of its neighbor Sweden.

NOTICE

This will be the last issue of *The American Observer* to appear before the Christmas holidays. Our next date of issue will be January 4. We hope that each of our readers will have a pleasant vacation period and extend our very best wishes for a Merry Christmas and a Happy New Year.

Nevertheless, it is true that the nation presents none of the striking contrasts between poverty and wealth that is characteristic of so many others. Unemployment is practically unknown. Except for the 3,000 persons engaged upon public works, there were only 251 in the whole country registered as unemployed during last summer.

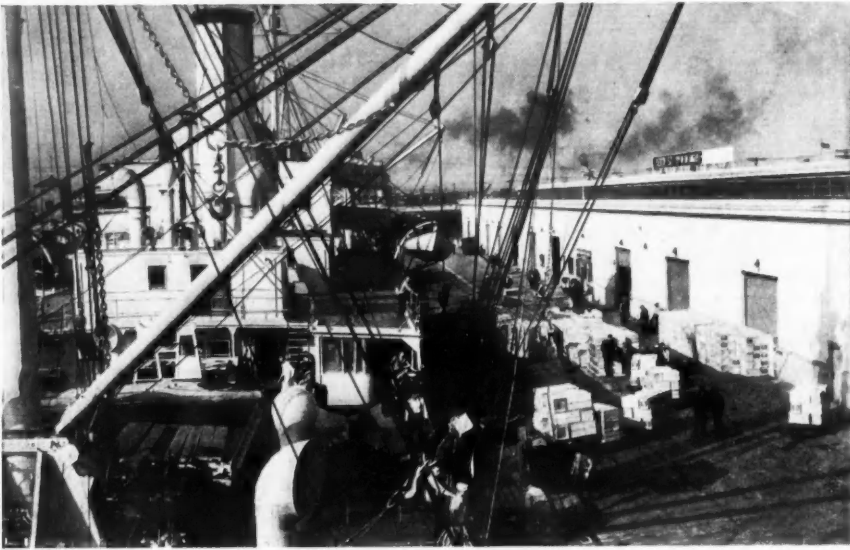
Vatican circles are gravely concerned with the condition of Pope Pius XI, whose illness during the past week has taken a turn for the worse.

Leon Trotsky, exiled from Russia, who has been staying in Norway, has been informed by the Norwegian government that he will not be permitted to remain there. He is expected to go to Mexico.



SOUTHERN FINLAND

Where Swedish traditions influence the architecture. (From a photograph by Harry Rogers Pratt, in "Finland, The Land and the People," by Agnes Rothery. Viking.)



TIME OUT

Although the seamen's strike on the Pacific coast continues unabated, longshoremen consented recently to load a cargo of foodstuffs on a ship bound for Hawaii. The food was for the U. S. Navy personnel in Hawaii which was facing a serious shortage.

Pruning the WPA

One of the first, and perhaps most troublesome, questions that President Roosevelt will have to take up with Congress when it meets in January is the problem of federal relief. At the last session he got \$1,425,000,000 from Congress for the WPA, expecting that this would be enough until the end of this fiscal year, next June 30. But the drought brought an unexpected drain of \$300,000,000, and private industry has not taken in as many unemployed as was hoped. After the WPA payments for November were made, only about \$275,000,000 was left for the rest of the fiscal year. This will be nothing like enough to last until next July, even if the WPA payments are cut from the \$168,000,000 November amount to the \$100,000,000 a month that the President is said to have in mind. So he will have to ask Congress for more.

When he does, the arguments are likely to become quite hot. Relief workers gave President Roosevelt a good many votes in the last election; no one knows just how many, but enough to make the congressmen think several times before going against the demand of the relief workers and their voter friends that the federal government proceed slowly in reducing federal relief. A good deal of fuss has been stirred up already by the dismissal of WPA workers in accordance with the orders that about 150,000 be taken off the rolls at once and another 250,000 be transferred to the Resettlement Administration. In a number of places, the "white collar" workers of the WPA have engaged in "sit down" strikes when told that some of their number were to be dismissed. Several fairly large civic groups have joined the protests against taking workers off the federal relief rolls, on the ground that they will be thrown back on the cities or states. The executive committee of the conference of mayors which met in Washington recently has cabled the President asking him to cancel the order to let out 150,000 WPA workers. President Roosevelt, however, is definitely committed to cutting down government expenses, though he is said still to feel strongly that no one who wants work, who is

without it through no fault of his own, and who has no other means of living, should be denied federal aid.

Strike Epidemic

About 125,000 workers are idle in the United States now because of strikes. Some of the idle are strikers. Others are workers in automobile plants which have had to reduce production because they cannot get supplies from steel and glass works where men are on strike. About 72,000 are idle in and around Detroit. The 37,000 shipworkers on the Pacific coast still are out on strike, and perhaps as many as 20,000 more of their fellows are striking at the Atlantic and Gulf ports. A strike of the workers in the Pittsburgh Plate Glass Company's plant has kept 6,000 men idle for seven weeks, and now it has spread to the 1,300 in the Libbey-Owens-Ford glass works at Ottawa, Illinois. The Midland Steel Company strikers at Detroit, out for three weeks, have received the vigorous backing of John L. Lewis' Committee for Industrial Organization. This strike has compelled the Chrysler and Lincoln Zephyr assembly plants to slow down or stop because they cannot get the frames which the Midland mills supply. The glass workers' strike also affects the automobile industry. A score or more of other strikes in smaller plants in the East and the Middle West have been reported, some of them having been going on for as much as a couple of months.

The shipping strike, now in its sixth week, continues to be complete on the Pacific coast. The situation on the Atlantic and Gulf coasts, however, seems more confused. The strikers claim that 26,000 men are out in New York alone and that 245 ships are held in port. The owners say that the strike is practically broken and never was really serious; they claim that since it started, 743 ships carrying 45,273 men have sailed from New York. On the other hand, 9,500 ships' radiomen and engine-room workers joined the strike at New York on November 30; the *Manhattan*, prize American liner, was held in port for three weeks by the strike before it finally got away; and the French liner *Champlain* could not get men to unload most of its cargo when it reached New York on December 2. The Longshoremen's Union, which has refused to join the strike in the eastern ports, would not handle the *Champlain's* cargo because workers in French ports have refused to unload American vessels as an expression of sympathy with the shipworkers on strike in this country.

A number of strikes have been headed off or ended, however, by agreements between owners and workers. The most important of these settlements was made by the Aluminum Company of America, which granted pay increases and a 40-hour week to the 25,000 workers in its 13 plants who were preparing to strike. The Goodyear Tire and Rubber Company, at Akron, Ohio, ended a 24-hour "sit-down" strike by agreeing to most of the workers' demands. William Randolph Hearst's New York *Journal* headed off a strike by giving its employees practically the same terms as were granted on his *Post-Intelligencer* in Seattle in settling the three-months' strike of

The Week in the

What the American People Are Doing

that paper's staff. The strike at the Cumberland, Maryland, mills of the Celanese Company came to an end, and 9,000 strikers went back to work when the company agreed to wage increases averaging 12½ per cent and collective bargaining.

This epidemic of strikes is the workers' reaction to the recent reports of the unprecedentedly large dividends voted by many American corporations. Undoubtedly, there would have been a great many more strikes if many of the companies had not given bonuses and wage increases without waiting for demands from the workers backed by strike threats. The stand taken by the American Federation of Labor, the C. I. O., and others interested in labor conditions, however, shows that the workers are not satisfied with what they have received. They want a larger share of the profits that are being made; and they emphatically do not want to have wage rates tied to living costs, as some of the companies have proposed. To a considerable extent they have had their way, for all the settlements of strikes or threatened strikes so far have given the workers substantially what they demanded.

Refusing Business

Although the policy already has cost it \$2,000,000 worth of business, the Bausch & Lomb Optical Company, of Rochester, New York, is determined to continue refusing to sell to any foreign country goods which can be used in military equipment. With all Europe rearming furiously, the president of the company said recently that his firm could not be sure that war materials sold to foreign governments would not be used against American soldiers. Rather than run that risk, the company is turning down all foreign governmental orders—including those amounting to



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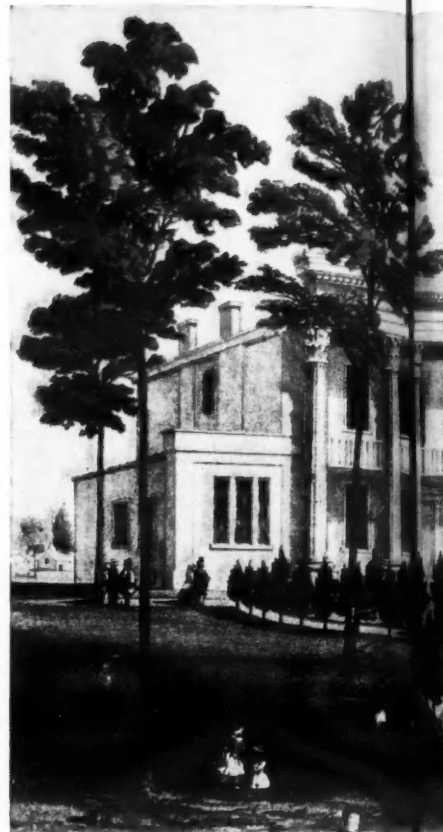
SPEAKER

William B. Bankhead gets ready for another session of Congress.

\$1,500,000 recently received from Britain and France. The Bausch & Lomb Company makes nearly half of the world's high-quality field glasses, telescopes, and other optical goods. Bausch & Lomb, it is reported, recently have developed new lenses and equipment which will greatly increase the efficiency of rifles and field guns. The company is placing these exclusively at the disposal of the American government.

Railway Repayments

Since it was organized in 1932, the Reconstruction Finance Corporation has lent \$717,000,000 to American railroads to help them back into profitable operation. This help was decidedly worth while, as is proved by the fact that 25 out of the 80 lines which were aided have paid back in full what they borrowed. The total repayments have been over



The reviewing stand to be erected in front of the White House will be modeled after "The Hermitage," famous of A...

\$310,000,000, and Jesse Jones, chairman of the RFC, says the security for the rest is good even if some of the lines are in the hands of receivers now. The New York Central Railway was the 25th to wipe out its debt. It did this on November 30, before the final payments were due. The Pennsylvania, the Southern Pacific, the Great Northern, the Maine Central, and the New York, Chicago, and St. Louis are among the other important lines which have paid in full.

The business recovery in the past year has been responsible for part of the new business which has made it possible for the railways to get back on their feet financially. But the great increase in passenger business, on the eastern lines especially, also has been important—the increase which started very promptly after the railways reduced their fares last June in accordance with the Interstate Commerce Commission's orders. At that time, railway officials said the lines would lose money if they reduced rates. Actually, the passenger travel has been so much larger than it was, that the income from this source has increased substantially.

U. S. and British Journalism

American newspapers are frequently attacked for placing such great emphasis on the spectacular and sensational happenings of the day, giving them space out of all proportion to their importance. The British press, which, on the whole, is more reserved and dignified is usually pointed to as a model of good journalism. Now, however, the American papers are striking back. They are harsh in their criticism of the censorship which the British journals imposed upon themselves for weeks in connection with the Simpson case. Whatever the faults of the American press, it is said, it does not withhold vital information from the public. The New York *Times*, editorially, makes the following comment:

One reason why the controversy between the king and his ministers has had so stunning an effect in Great Britain is the fact that the British press so long made the subject taboo. A defense of this reticence is offered by The Manchester *Guardian*. It explains that British newspapers were well aware of the gathering crisis, but felt it to be of such intense "gravity" that it could not be discussed or referred to. This is a queer reason, all the queerer on account of the source from which

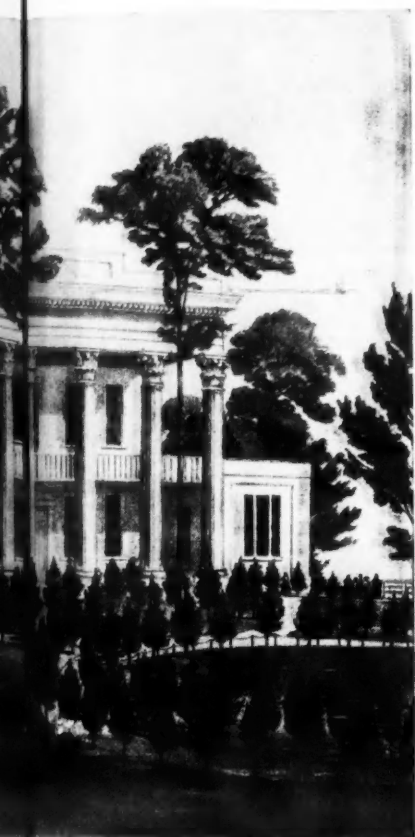


SOMETHING NEW TO WORRY ABOUT

—Cassell in Brooklyn Daily Eagle

United States

Doing, Saying, and Thinking



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White House for the President's inauguration on January 20, is to be the residence of Andrew Jackson in Nashville, Tennessee.

comes. One can recall several grave British crises, such as the Boer War and the outbreak of the Great War, in which *The Manchester Guardian* did not feel compelled to remain silent. On the contrary, it thought itself under obligation to inform the people of the fact and to endeavor to lead them to sound decisions regarding national policy. This time it held its tongue for months.

Democracies' Strength

The democratic countries have no need to make apologies for inefficiency to either the fascist states or communist Russia, according to Walter Lippmann, because "today they alone can offer mankind the spectacle of a rising standard of life for the masses of men. They alone live in an economic system which can be opened to all the nations whenever they choose to enter it and enjoy its opportunities. They alone have a way of life in which the solution of the social problem is possible." In pointing this out, Mr. Lippmann also says, in a recent article in his syndicated *Today and Tomorrow* series, "there is available to the free peoples of North and South America, of western and northern Europe, a standard of life incomparably higher and more agreeable than that which any one of the collectivist autocracies can provide." The democratic countries need to convince the others, Mr. Lippmann continues, that "they will see to it that there is no profit and no glory in aggression, and that they can offer the peoples greater opportunities of peaceful expansion than any government can ever hope to conquer for them by force of arms." Speaking for the democracies, Mr. Lippmann says to the autocracies: "Come in with us; the door is open. Come in as equals, threatening no one and unthreatened yourselves, and end this nightmare of another war which, if it happens, will destroy you among the first and the things you care about."

Conference Information

A "packet" containing three important booklets and a specially prepared study outline appearing on the Pan-American Peace Conference are just become available. The booklets are: Samuel Guy Inman's "Inter-American Conference for the Maintenance of Peace," which reviews the history of efforts to get coöperation in the western hemisphere and discusses

some of the present proposals; Stephen P. Duggan's "Latin America," which deals with political, social, and economic conditions in Latin America, simply but comprehensively; and C. A. Thomson's "Toward a New Pan-Americanism," which takes up the specific problems that are being discussed at Buenos Aires. This "packet" can be secured from the National Peace Conference, 8 West 40th St., New York City, for 50 cents, including postage, if payment is sent with the order.

Steel Houses

Current estimates of the shortage of housing units in the United States range from 2,000,000 to 14,000,000. There is clearly room for a building boom of large dimensions, particularly in the low-priced field where the need is greatest.

In order to meet the potentially tremendous demand for small, low-priced houses, manufacturers are experimenting with new materials which lend themselves to mass production methods. Many kinds of prefabricated houses have been developed in recent years, and a number have been placed on the market.

Among newcomers to the small housing field is the steel industry. Various steel companies are now engaged in the production of all steel or part steel houses which can be sold for as little as \$2,500 on a basis of large-scale production. Some time ago a steel house was put up in New York City to demonstrate the possibilities of that material for house construction purposes.

However, progress in the development of steel and other new-material houses will not make great headway until the public is ready to accept houses of that type. The public's taste in houses changes slowly. The idea of a steel or other prefabricated house does not yet ap-



© Harris and Ewing

VICE-PRESIDENT

John N. Garner prepares to resume his duties as president of the Senate.

peal to the majority of prospective home purchasers who are used to the traditional wood, stone, and brick construction. Nor are they fully accustomed to the modern style of architecture which is the most practical in the use of new materials.

Bootleg Coal

In the December 5 issue of the magazine *Today*, Karl Brown tells of the involved economic drama that is being acted out in the hills of eastern Pennsylvania. Some 25,000 miners, who have been thrown out of work by the depression, are "bootlegging" anthracite coal from mines which do not belong to them. Each season they dig 4,000,000 tons of hard coal, involving a total trade of \$40,000,000. The practice began several years ago, when a few miners, finding themselves out of work and desperate, decided to dig some coal out



HOUSE OF STEEL

The steel industry is experimenting with the construction of steel houses to determine the possibility of mass production of low-cost homes. This house was erected in New York City to show the public what could be done with steel construction.

—Photo by Hal A. Salzman, Inc.

of an abandoned company mine. When conditions in the coal industry went from bad to worse, an increasing number of miners turned to bootlegging, until today it has become a serious threat to the operating companies in the district.

The owners have tried to get protection from the state government, but officials have refused to interfere. The owners argue that they have heavy investments in the mines and in equipment. They point out that they are paying taxes even upon the unmined coal and consequently the state should offer them protection. They cannot successfully compete with the bootleg miners because the latter are able to sell their coal very cheaply. They have succeeded in building up an extensive business in competition to that of the regular operators.

The miners, on the other hand, argue that they do not want to continue in this bootleg trade. They say they are willing and, indeed, anxious to get jobs with the company mines if they had the opportunity. But they do not see why they should remain out of work and let the mines stay idle. Their view is accepted by a large number of the people in the mining areas. When bootleg miners are arrested, local juries refuse to find them guilty of any crime. As a matter of fact, if this illegal trade should be brought to an end, it would be a serious blow to hundreds of shopkeepers who profit by the purchases of the bootleg miners.

The only solution to this problem, it appears, is to work out some plan by which the unemployed miners can go back to their jobs in private industry. Governor Earle of Pennsylvania thinks the only way this can be done is through federal regulation of the coal industry. Federal regulation, however, will be extremely difficult to effect because of constitutional problems. The Guffey Coal Act, it will be remembered, sought to bring order to the industry but it was overruled by the Supreme Court last spring.

Advice to Conservatives

Few political commentators have been as uncompromisingly conservative during recent months as has Frank R. Kent, columnist of the *Baltimore Sun*. His readers were greatly surprised, even shocked, therefore, to read one of his recent columns in which he said:

The choice in this country is no longer between being a Democrat or a Republican. . . . Nor is the choice between being pro-Roosevelt or anti-Roosevelt. The actual choice is between letting things develop and developing them—between "laissez faire" and social legislation. . . .

Now, then, if conservative property holders are not blind and besotted; if they do not want to justify epithets such as "reactionary," "Bourbon," "Tory," and "creatures of entrenched greed," hurled at them by the politicians, they will view things as they are and not as they want them to be.

For example, they will accept the fact that stocks, bonds, and real estate are not the only forms of property; that a vast number of people have none of that kind of property; that what they have is a job—that this job is property to them, and they are just as much entitled to be protected in it as the taxpayer is to protection of his property.

For the taxpaying class to take any other view is to risk a time when no one will have any property to protect.

THOUGHTS AND SMILES

Australian businessmen refuse to hire blondes, which means that a lot of girls over there will be dyeing for jobs.
—Wichita BEACON

Maybe some thoughtful person should have sent His Majesty a copy of "How to Live Alone and Like It."
—Boston HERALD

Herbert Hoover denies reports that he will establish a residence abroad. In fact, he will not even move to Maine or Vermont.
—Cleveland PLAIN DEALER

A woman barber in Alaska charges \$5 a haircut. This is believed to be the only business in which customers deliberately ask to be trimmed.
—Boston EVENING TRANSCRIPT

Never has there been an arms race followed by peace. The end has always been the same, and it's not a very cheerful thought.
—Gerald P. Nye, U. S. Senator, North Dakota

There never was a time when the opportunity for the right kind of men in public life was greater than it is right now.
—Bruce Barton

A Kentucky school superintendent fired five times at a burglar, but missed him every time. The professor needs to do some reviewing on trigonometry.
—Washington POST

The Roosevelt sweep may be cleaner than we dreamed. He lost Maine and Vermont, but they think now he carried the Supreme Court.
—Salt Lake TRIBUNE

If you think fascism can rule America, try telling your wife that your first duty is to the state instead of her.
—Louisville TIMES

The school should always have as its aim that the young man leave it as a harmonious personality, not as a specialist.
—Albert Einstein

"Who was that you were talking to for a whole hour at the gate?"
"That was Mrs. Smith; she hadn't time to come in."
—WIDOW



THE NEXT BIG CAMPAIGN

—Talbot in Washington News

BOOKS FOR CHRISTMAS

The year 1936 has been a very good one with the publishers. So many fine books have made their appearance during the year that it has been impossible to include them all in our annual Christmas list. However, we have tried to gather on this page the ones which we consider noteworthy. Some will appeal to one, perhaps, others to another, but we feel that everyone will find here a few that he would like to own or give to a discerning friend or relative.

Fiction

The Last Puritan, by George Santayana. Scribner. \$2.75. A graceful novel of a Boston family by an American philosopher. Distinguished by lucidity of prose and thought, it is a modern version of Walter Pater's *Marius the Epicurean*.

Gone with the Wind, by Margaret Mitchell. Macmillan. \$3. At the top of

lands. On the best-seller lists for months. Arctic Adventure, by Peter Freuchen. Farrar & Rinehart. Ripping, lusty narrative of the Eskimos by one who lived among them for many years.

The Unexpected Years, by Laurence Housman. Memoirs by the brother of the distinguished poet, A. E. Housman. Contains intimate glimpses of London's intellectual lights.

Three Worlds, by Carl Van Doren. Harper. \$3. A literary man's journey through American literature of recent date.

Journal of a Tour to the Hebrides, by James Boswell. Viking. \$5. Hitherto unpublished account of a journey taken by Samuel Johnson and Boswell. Manuscript was only recently found in a castle in Ireland.

Biography

Audubon, by Constance Rourke. Harcourt, Brace. \$3. A truly distinguished biography of America's great naturalist.

Brahms, by Karl Geiringer. Houghton Mifflin. \$4. One of the few human and altogether believable portraits of the musician that we have.

Thomas de Quincey, by Horace Ainsworth Eaton. Oxford. \$5. A definitive study of the eccentric literary genius.

Victoria of England, by Edith Sitwell. Houghton Mifflin. \$3.50. The much-dissected queen appears thoroughly human in this warm and sympathetic biography.

Jefferson in Power, by Claude G. Bowers. Houghton Mifflin. \$3.75. An inviting account of Jefferson in the White House.

Biography of a Family, by Milton Waldman. Houghton Mifflin. \$3.75. The ever-thrilling tale of a merchant's daughter, Catherine de Medici, who juggled kingdoms in her chubby hand.

The Nine Old Men, by Pearson and Allen. Doubleday, Doran. \$2.50. Sketches of the Supreme Court justices by two breezy journalists.

Characters of the Reformation, by Hilaire Belloc. Sheed & Ward. \$3.50. Deftly drawn portraits of twenty-three men and women of the XVIth and XVIIth centuries.

Fighting Angel, by Pearl Buck. Reynal and Hitchcock. \$2.50. The biography of Miss Buck's father. It is a sequel to the story of her mother's life, published previously.

Green Laurels, by Donald Culross Peattie. Simon & Schuster. \$3.75. An exceptionally fine work concerned with the lives of famous naturalists.

The Lonely Wayfaring Man, by Townsend Scudder. Oxford. \$2.50. An account of Emerson's journeys to England. A very engaging volume.

Travel and Adventure

The Southern Gates of Arabia, by Freya Stark. Dutton. \$3.75. The intrepid journey of a woman through a little-known region. A classic travel story.

Half the World is Isfahan, by Singer and Baldrige. Oxford. \$5. A book of travel



FROM A DRAWING BY FERDINAND E. WARREN IN "MANILA GALLEON"

through Iran, with luxurious illustrations that make it an ideal gift.

Return to Malaya, by Bruce Lockhart. Putnam. \$3. A well-seasoned traveler retraces the steps of his youthful wanderings.

News from Tartary, by Peter Fleming. Scribner. \$3. Adventures in Mongolia, Tibet and Sinkiang.

Politics and Economics

Inside Europe, by John Gunther. Harper. \$3.50. As deft a collection of fact and fable on European politics and politicians as has appeared in many years. Readable, informative, witty; newly revised.

Covering the Far East, by Miles Vaughn. Covici-Friede. \$3. The Far East as seen through an alert observer's eye. More concerned with men and manners than with issues.

Under the Axe of Fascism, by Gaetano Salvemini. Viking. \$3. An authoritative and unbiased study of Italy under Mussolini.

A Place in the Sun, by Grover Clark. Macmillan. \$2.50. A scholarly and well-documented inquiry into the value of colonies.

Sweden: The Middle Way, by Marquis W. Childs. Yale. \$2.50. How Sweden has set about to adjust its economic system by the cooperative method.

The Theory and Practice of Socialism, by John Strachey. Random House. \$3. An introduction to liberal movements by a brilliant analyst.

Vital Peace, by Wickham Steed. Macmillan. \$2.75. Splendid review of European affairs during the last two decades by a former editor of the *London Times*.

On the Rim of the Abyss, by James T. Shotwell. Macmillan. \$3. Why the League of Nations has failed in its peace machinery and how it may be improved.

History

The Story of the Supreme Court, by Ernest Sutherland Bates. Bobbs-Merrill. \$3. An informative history of the Supreme Court, with especial reference to recent years.

History of Florence, by Ferdinand Schevill. Harcourt, Brace. \$5. A masterful record of one of the world's most fascinating cities during the period of its greatest fame.

The Renaissance, by F. Funck-Brentano. Macmillan. \$2.50. The Renaissance as it flowered through its chief characters.

The French Quarter, by Herbert Asbury. Knopf. \$3. New Orleans in the days when it had a unique reputation in America.

Soviet Communism—A New Civilization? by Sidney and Beatrice Webb. Scribner. \$5. An incomparable study of the development of Communism in Russia.

A New American History, by W. E. Woodward. Farrar & Rinehart. \$4. A popular account of American civilization.

General

Enjoyment of Laughter, by Max Eastman. Simon and Schuster. \$3.75. The wit of ages, wittily analyzed.

Mainland, by Gilbert Seldes. Scribner. \$3. A burning declaration of faith in America and her institutions.

A Genius in the Family, by Hiram Percy Maxim. Harper. \$2. An account of a genius, making a delightful fool of himself at home.

The Flowering of New England, by Van Wyck Brooks. Dutton. \$4. A literary history of New England, an outstanding work of literary criticism.

The Bad Parent's Garden of Verse, by Ogden Nash. Simon and Schuster. \$2. Amusing collection of ditties, including advice to infants on how to bring up their parents properly.

The Higher Education in America, by Robert Maynard Hutchins. Yale. \$2.50. The youthful president of the University of Chicago thinks out loud about the American educational system, and finds it wanting.

More Poems, by A. E. Housman. \$2. His last volume of poetry by the author of "The Shropshire Lad."

The Borzoi Reader, edited by Carl Van Doren. Knopf. \$3.50. A grab bag of literary tarts, including novels, essays, short stories and poetry, as well as a complete play.

The Way of a Transgressor, by Negley Farson. Harcourt, Brace. \$3. The experiences of a newspaper correspondent in many lands.

This Trade of Writing, by Edward Weeks. Little, Brown. \$1.75. An intelligent discussion of the writing trade by one of the editors of the *Atlantic Monthly*.

SOMETHING TO THINK ABOUT

1. What, according to the analysis of our economic system made by the Brookings Institution, is the fundamental cause of maladjustment? What recommendations does the Brookings report make?

2. Do you agree with the contention that price reductions offer the best solution to our central economic problem? Cite an example. What governmental policies, if any, should be inaugurated to bring about greater price reductions?

3. What is the exact nature of the constitutional issue that has been raised over King Edward's proposed marriage?

4. Do you agree with those who contend that, whichever way the issue is solved, the British Empire will have been weakened as a result of the crisis? Why?

5. What dangers do you see in the type of censorship which the British press imposed upon itself in the Simpson case?

6. Do you think the United States should agree in advance to lend financial support to a nation which becomes the victim of aggression? Why?

7. Who is Frank R. Kent, and what position has he recently taken on the relation between a job and property rights? Do you agree?



FROM A DRAWING FOR THE JACKET OF "KIT BRANDON"

the best-seller lists since publication, this tale of a Georgia plantation has been hailed variously by critics.

Eyeless in Gaza, by Aldous Huxley. Harper. \$2.50. The struggle of youth in an era of ill-conceived freedom. Shot through with wise observation.

The Olive Field, by Ralph Bates. Dutton. \$2.50. A dramatic love story in revolution-torn Spain.

Death Is a Little Man, by Minnie Hite Moody. Julian Messner. \$2.50. Life of Negroes in the South, depicted with rare beauty and understanding.

Manila Galleon, by Cameron Rogers. Appleton-Century. \$2. A swashbuckling yarn of the Philippines, in the romantic tradition.

South Riding, by Winifred Holtby. Macmillan. \$2.50. A chronicle of Yorkshire characters.

Drums Along the Mohawk, by Walter D. Edmonds. Little, Brown. \$2.50. How the American Revolution shaped the lives of those living on the farms and in the woods of New York State. A splendid piece of fiction.

Of Lena Geyer, by Marcia Davenport. Scribner. \$2.75. Fast-moving account of opera singer and her varied career. So realistic as to sound like a biography.

Moscow Skies, by Maurice Hindus. Random House. \$2.75. A tale of Soviet Russia during critical years.

Kit Brandon, by Sherwood Anderson. Scribner. \$2.50. An absorbing novel of a Virginia mountain girl.

Clansmen, by Ethel Boileau. Dutton. \$2.50. A well-narrated Scottish yarn, replete with incident and character.

Arouse and Beware, by MacKinlay Kantor. Coward-McCann. \$2.50. A novel of two men and a woman fleeing from the battlefield of the Civil War, by the author of *Long Remember*.

Autobiography and Memoirs

Autobiography of G. K. Chesterton. Sheed & Ward. \$3. Sparkling reminiscences by Britain's famed purveyor of paradoxes. An American Doctor's Odyssey, by Victor Heiser. Norton. \$3.50. A doctor's adventurous struggle with disease in many



FROM A DRAWING BY JAMES MACDONALD IN "AUDUBON"



The alignment of powers in Europe. Are Germany, Italy, and Japan strong enough to defeat England, France, and Russia? Should the United States use economic pressure against one side or the other?

THESE three imaginary students will meet each week on this page to talk things over. The same characters will continue from week to week. We believe that readers of THE AMERICAN OBSERVER will find it interesting to follow these discussions week by week and thus to become acquainted with the three characters. Needless to say, the views expressed on this page are not to be taken as the opinions of the editors of THE AMERICAN OBSERVER.

John: I suppose that we should talk about the king's marriage and the constitutional crisis in England this week, since that is the subject which is being discussed everywhere. But we dealt with that subject last week, so I would like to dispose of it rather briefly today and just consider one phase of it. It seems to me that the most serious feature of the whole affair is that it makes war in Europe more probable.

Mary: What do you mean by that?

John: The English people are completely absorbed with their big domestic issue.



THE HOUSE THAT WAS BUILT UPON SAND
—Herblock in Syracuse Herald

They are divided among themselves, and the cabinet is in danger of falling. Would this not be a fine time, then, for one of England's enemies to break loose? What more appropriate time could Germany have for starting a drive somewhere? She could be fairly sure that the English government couldn't act as quickly as if it were not passing through such a grave crisis. I am really afraid that trouble may break out somewhere in Europe before this English affair is over.

Charles: I doubt that. The Germans and the Italians both know that the English people would probably drop their differences in a hurry if there were danger of foreign war. They couldn't afford to risk getting into war simply on the probability that England would not be ready to fight. If they really intended to start a world war, they might make England's embarrassment the cause to start it, but I don't believe they really want to fight.

John: Why do you think that?

Charles: Because they know that if they should go to war they would probably be defeated, and if they were defeated it would mean the end of the dictatorships in both countries. At least, it probably would mean that. That is the last thing which Hitler and Mussolini want. I don't believe they would risk their power unless they were pretty sure that they could win.

John: Where do you get the idea that they couldn't win? I don't think it is certain at all that they would win, but I think they have a fair chance of it.

Charles: Most well-informed people with whom I have talked think that Great Britain, France, and Russia could defeat Germany, Italy, and Japan. The Russians are much better prepared than they were in 1914. They have a powerful army and air

force in the Far East and another very strong force in the west. Most military experts believe that Russia could fight two wars at the same time, that they could defeat Japan in the Far East while they were holding off Germany in the west. France doesn't seem to be very well united, but for that matter she wasn't united in 1914 until the war started. After that, the people stood together and put up a great fight. They are better prepared now to resist attack than they were then. They have great fortifications all along their eastern border, so that the Germans could not break through. And the English, while not in very good condition, are as well off or better than they were when the World War broke out.

John: But you mustn't forget that Italy will be with Germany this time, and the Italians constitute a tremendous military force today. Italian strength during the World War cannot be compared with what it is now, and the Germans are probably in as good condition as they were in 1914.

Mary: I have understood that their air forces are not yet in condition to fight.

John: Probably not in as good condition as they will be after a while, but I dare say that they could do good work in the air. I really think that they would stand a fair chance to defeat the British, French, and Russians. If they think so, they are likely to attack most any time. They would probably rather bring on a war now than to wait a year or two, for they are today more nearly ready than the English are. The English are, however, making rapid preparations and in two years or so they would be up to the maximum of their efficiency. Then it would be more difficult for the Germans and Italians to win. If this theory is correct, the

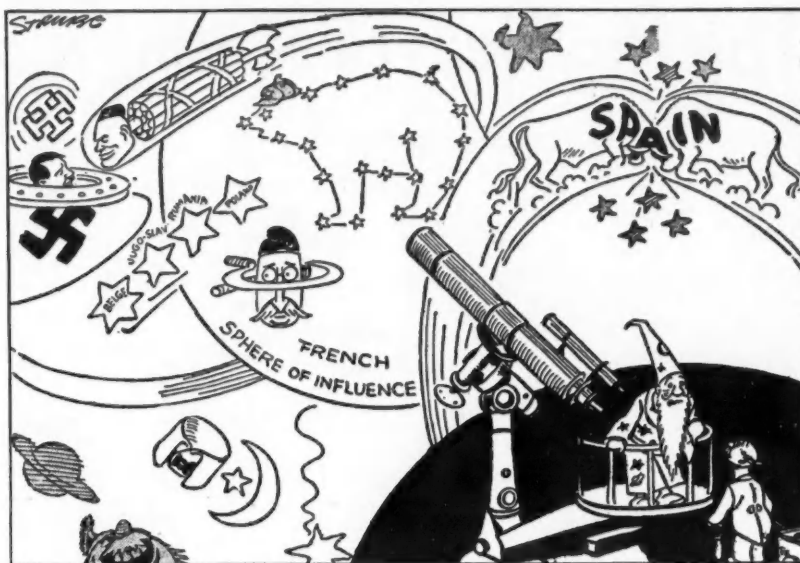
German-Italian attack will probably be made within the next few months.

Mary: The very idea of the fascists winning a war against the democratic countries seems to be very horrible. I don't think that the United States should allow such a thing to happen. If it would be necessary for America to take sides in order to prevent Germany and Italy from crushing democratic France and England, I think we should do it.

Charles: Do you mean that we should enter the war to help France and England?

Mary: I don't think we would have to enter the war. If we threw our economic power into the balance in favor of the democratic countries, I think it would enable them to win. Suppose we should lend money to those countries and not to the Germans and Italians. Suppose, in addition, we should sell war supplies to the western powers and not to the fascists. Wouldn't that be enough to turn the tide of victory?

Charles: Possibly it would. I don't know about that, but at any rate it would very likely get us into the war, and I am opposed to that. I would rather see the British and the French win than to have them lose in such a war, but my interest isn't great enough that I would want America to get into the fight. That would be a terrible thing. It would mean perhaps that I would lose



—Strube, Courtesy Washington Post

"EUROPEAN STRATOSPHERE"—AN ENGLISH VIEW
Little man (hopefully): "See any signs of peace that war?"

my life. Maybe that wouldn't be very important to other people, but it would mean a good bit to me. Not only that, but hundreds of thousands of other young Americans would lose their lives. It would cost the country billions of dollars—far more than the depression has cost. The national debt might be doubled. People are saying that it is so high already as to threaten the credit of the nation. What if it were 75 billion dollars, instead of something over 30 billion? Furthermore, if we got into war, our industry would be so disarranged that we would probably fall into another great depression soon after the war was over. No, the cost is simply too great. We can't afford to get into war merely in order to save the hides of other nations—nations, by the way, which refuse to pay us the debts which they already owe us.

Mary: I, too, hesitate about deciding that we should go into the war, but I believe we could help the French and the English without doing that. Suppose we should announce right now that if any nations should make an unprovoked attack upon other nations, we would give financial and economic assistance to the victim of aggression. Wouldn't that prevent war? If Germany and Italy knew in advance that if they made war on England and France, the United States would sell supplies to the English and French and lend them money, and that we wouldn't sell goods or lend money to them—if Italy and Germany knew that, wouldn't they be afraid to go to war?

John: Is that just a pipe dream of yours, Mary, or are people in responsible quarters talking about such a thing?

Mary: Yes, I think they are talking about it. I have heard that high officials in the United States are considering that very step. They realize that if a war should come in Europe, there would be danger that

we would be drawn in, however hard we might try to stay out. They realize, too, that even if we would stay out of the war, we would suffer terribly from it. A large part of our trade would be cut off from Europe. We couldn't sell so much to that continent as we have been selling. That would mean return to depression in this country, so these people are very anxious that the United States should do something to keep the European countries from fighting. They are even willing to take some risks in order to prevent the other countries from going to war. They know that we'll have to take risks anyhow if war should come, so it is just a matter of deciding whether it would be more risky to stand aside and let Europe go to war while we undertook to maintain strict neutrality, or whether, on the other hand, it would be more risky just to take a bold step which might possibly get us more quickly into the war, but which, on the other hand, might keep the war ever from developing. I am inclined to think that it would be better to take the bold course and announce that we would give economic and financial assistance to the country against which aggression was made. Moreover, you can't be sure that we'd be able to keep out of a war in any event, and it seems to me much more sensible to adopt a policy that has some chance of success in warding off a major conflagration, even if a certain number of risks are involved.

John: I am strongly opposed to such a course. I think we should maintain our neutrality if we possibly can. Certainly, we shouldn't take sides before the war starts. If there should be a war in Europe, and if any of the nations over there should interfere with our trade, as Germany did before, or if they should kill Americans, then I think we should go to war to defend our rights, but we should not jump in and take sides now.

Charles: I don't agree with that. If we are going to get in at all, I say that we should take sides now, because, as Mary argues, if we should line up with the British and French right now, we would stand a chance of preventing war. Unless we are simply determined to stay out whatever happens, we should go in with the democratic nations today and try to prevent the war from coming. Better that than to wait until after it starts and then get in. But I am not sure that we should get in at all. I rather think that if war comes we should maintain an isolationist attitude and stay clear away from the war zone and not try to trade with any of the nations that are fighting. If we do that, I believe we have a real chance to stay out of the next war.

Mary: Well, anyway, the problem is one of the most important that America has ever faced. It seems to me that the arguments are very well balanced. Wouldn't that be a fine subject for a college or high school debate?

John: It surely would. Let's see if we can't get it adopted by our school for debate this winter.

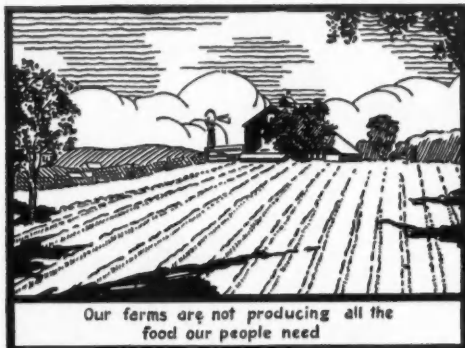


THIS COCK-EYED WORLD

—Talbot in Washington News

The Problem of Raising Consumers' Purchasing Power

(Concluded from page 1)



of fact we were not in 1929 turning out as many goods as we had the equipment to turn out. Part of our productive machinery was idle. Our mines and factories and mills could have produced more than they were producing in that boom year. Only 80 per cent of our productive capacity was in use. The remaining 20 per cent was idle. In some industries, of course, the percentage of unused capacity was greater than that and in others it was less, but taking all industry, only four-fifths as much goods and services was turned out as might have been produced.

Problem of Distribution

The first conclusion to be reached, therefore, was to the effect that the central difficulty did not lie on the side of production. It must be located elsewhere. So in the next volume of their study, they used the same technique to measure our capacity, as a nation, to consume goods and services. They sought to measure the income of the American people and found that the total income of the nation was unequally divided. Three-fourths of all families had annual incomes of less than \$2,500. Six million had incomes of less than \$1,000; 12 million less than \$1,500; 16 million less than \$2,000; and 19 million less than \$2,500. Only 2.3 per cent of all the families had incomes of \$10,000 a year or more in 1929.

"A family income of \$2,500, at 1929 prices," the report contended, "was a very moderate one, permitting few of the luxuries of life. Hence it was clear that the consumptive requirements, and especially the wants, of the masses of the people were far from satisfied." During the period of our greatest prosperity, therefore, well over half the population of the country had insufficient incomes to provide the things necessary to their well-being. Over three-fourths of the nonagricultural families did not have incomes large enough to provide a moderate diet, based on standards fixed by the Department of Agriculture. And approximately the same proportion of the population was unable, with the incomes then received, to provide the other essentials of life—clothing, housing, recreation, etc.

Those who had incomes in the upper brackets failed to use the bulk of their money for these essential products of industry. It is true that they spent more for goods and services than those in the lower income brackets, but they did not, by any means, spend the greater part of their income for food and clothing and amusements, or other goods and services. As a matter of fact, they saved, or invested, far more than they spent for the various products of industry. These invested funds, in turn, were used to build new plants and factories, to buy new machinery, and otherwise to increase the productive capacity of American industry.

Basic Maladjustment

Throughout the boom period of the 1920's, the Brookings economists pointed out, the proportion of the national income that was being saved, and thus invested, was not only large, but it was constantly increasing. And out of the 15 billion dollars invested in 1929, as much as 13 billions were saved by 10 per cent of the popula-

tion. In other words, "the 2.3 per cent of the families having incomes in excess of \$10,000 contributed two-thirds of the entire savings of American families; while the 59 per cent of the families having incomes under \$2,000 saved only 1.6 per cent of the total. Sixty thousand families at the top of the income scale, with incomes in excess of \$50,000, saved almost as much as 25,000,000 families having incomes less than \$5,000."

The Brookings economists came to the conclusion, from these facts, that this maladjustment was one of the causes of the crash in 1929. They showed that the great consuming public, because of inadequate purchasing power, could not absorb as much of the goods and services as American industry was capable of producing, and that consequently one-fifth of our total producing capacity was idle even in the boom year of 1929. At the same time, those in the upper income brackets were pouring back into industry



more and more money, which was used to increase even more our capacity to produce. As a result, surpluses piled up which could not be sold, and eventually there was a breakdown.

It was apparent, then, that the principal maladjustment in our economic machine was not on the side of production, but on that of consumption. We were in a position to produce more than could be sold or distributed to the people. It was not that the people did not need all the goods that American industry and agriculture could produce. It was that they did not have the purchasing power, the income, necessary to buy these goods. Most of the people wanted, and needed, more food and more clothes, more adequate housing, better recreation facilities, better furniture, than they had, but they could not provide these items because of their small incomes.

After thus diagnosing our economic ailments, the Brookings economists sought a remedy which would restore health and prosperity to the body economic. In their final volume, which sums up the entire survey, they examine all the proposals that have been made to restore, or create, a greater balance in our economic machine. Profit-sharing, the shorter workweek, increased wages, the redistribution of wealth and income; in short, all the so-called "cures" that have been discussed back and forth for a number of years.

Increasing Purchasing Power

All these proposals were examined in the light of the central problem. The test of whether they would result in increasing the general purchasing power of the American people was applied to each of them. The economists attempted to analyze the effects of each proposal upon the various classes of the population and upon the country at large. They were looking for a method which would solve the central problem by increasing the buying power of all the people.

The most frequently mentioned method

of increasing the purchasing power of the people is through wage increases or some system of profit-sharing. It has frequently been argued, especially by representatives of labor, such as the American Federation of Labor, that more of the profits of industry must be diverted into the channels of wages and less of them paid out to stockholders in the form of dividends. The Brookings report examines this proposal, and comes to the conclusion that it would certainly help to increase purchasing power, but that it would not benefit all people. Only 40 per cent of the American people receive their income from wages. Farmers, doctors, lawyers, shopkeepers, all professional and independent business people derive their income not from wages but from other sources. To increase wages, therefore, would have no effect upon them so far as their total income is concerned. And, the report argues further, wage increases might have the unfortunate effect of increasing prices, for they would raise the cost of production and force many industries to charge more for their goods. In that case, consumers in general (and consumers include all people) would suffer, for their ability to buy goods would be reduced rather than increased. The economists admit that if wage increases could be effected without price increases, the result would be beneficial insofar as two-fifths of the population would have greater purchasing power. But the difficulties of such a proposal would be extremely grave and might produce results other than those contemplated.

To a greater extent, profit-sharing would help boost the income of the low-income groups. Unlike wage increases, the distribution of profits to workers would not be charged off to the cost of production and would result merely in diverting a part of the national income from those in the higher income groups to those in the lower groups. Prices would not be forced upward, as they would in the case of wage increases. But here again, the report argues, the proportion of the



people who would receive benefits from a policy of this kind would be small in comparison to the entire consuming public.

Price Reductions

After analyzing these, and all other proposals, the Brookings economists come to the conclusion that the only certain way to increase the purchasing power of all the people is through a policy of price reductions. Income cannot be measured in terms of dollars, but in terms of what it will buy. If prices are high, it takes a larger number of dollars to buy the goods and services a family needs. If wages are increased 10 per cent and the cost of living increases 10 per cent as a result of price boosts, the effects of the former are completely offset. If, on the other hand, prices are reduced without a corresponding reduction of wages, all the consumers benefit because their dollars go further in buying goods and services.

The classic example of the

beneficial results of price reductions is the automobile industry. Spurred on by the example of Henry Ford, who years ago experimented with putting on the market a low-priced car, other manufacturers have improved the quality of their product and at the same time have reduced its price. As new processes for the manufacture of the automobile have been developed, the savings have been passed on to the consumer in the form of lower prices. As a result, there has been, since 1929, a saving of \$196 on each automobile purchased, according to recent statistics. In 1929, for example, a total of 3,250,000 cars were bought for \$2,920,500,000. In the year ending October 31, 1936, the same number of cars were bought, but the total price was only \$2,283,500,000. The average price per car in 1929 was thus \$898; whereas the average price for the year ending October 31 was only \$702.

Future Policy

The Brookings report does not undertake to outline a course of action by which price reductions may be effected. It merely confines itself to diagnosing the basic economic ills and pointing out the remedy that, in its opinion, must be undertaken. Since the publication of the final volume of the study, however, the general proposals have been debated up and down the country. Businessmen have been urged to prevent a future collapse by creating greater purchasing power through price reductions.

It is recognized, of course, that price reductions will not come of themselves. In the past, government has passed legislation designed to force price reductions. In general, this legislation has consisted of antitrust laws which declared illegal combinations of industry which resulted in fixing prices. If trusts and monopolies could be broken up, it was argued, industries would be forced, by free competition, to lower their prices and the great consuming public would derive the benefits. It must be admitted, however, that antitrust laws have been ineffective in producing the desired results, for monopolies have not been broken up, and powerful industrial interests have been able to keep prices at an artificially high level. Whether the Roosevelt administration will seek, through additional legislation or stricter enforcement of the laws already on the statute books, or both, to accomplish the general objectives outlined by the Brookings report is a matter on which little has as yet been said.

One thing is certain at this time. Serious thinkers on economic problems, as far apart in their basic philosophy as Mr. Hoover and Mr. Tugwell, are agreed with a middle-of-the-roader like Walter Lippmann, on the general idea that the purchasing power of the masses must be increased before we can have economic stability and economic progress. Many of them are warning that the prosperity which we are now enjoying is not accompanied by such a readjustment, for again profits are increasing more rapidly than wages, and there is no broad movement to increase purchasing power through general price reductions. In other words, few, if any, of the basic causes of the depression which descended upon us in 1929 have been removed, and thoughtful students of economic trends discern a real danger in this maladjustment.

